Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

CONFIDENTIAL

PAGE 01 ANKARA 03385 01 OF 02 041048Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 DODE-00 PM-04 H-01 L-03 PA-01
PRS-01 AGRE-00 /091 W
----------041100Z 124323 /15
P R 040938Z MAY 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC PRIORITY 7381
INFO AMCONSUL ADANA
AMEMBASSY ATHENS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA

C O N F I D E N T I A L SECTION 1 OF 2 ANKARA 3385

E.O. 11652: GDS
TAGS: EFIN, EAGR, PFOR, TU
SUBJECT: CENTRAL BANK GOVERNOR WONDERS IF USG IS DISCOURAGING
COMMERCIAL BANK LENDING TO TURKEY

REF: (A) ANKARA 3329 (NOTAL, (B) ANKARA 3188 (NOTAL),
(C) ANKARA 1643 (NOTAL)

SUMMARY. CENTRAL BANK GOVERNOR SADIKLAR, IN MEETING WITH E/C COUNSELOR MAY 3, OFFERED PERSONAL VIEW THAT RECENT WITHDRAWAL BY TWO LARGE AMERICAN BANKS OF $200 MILLION CREDIT, EQUAL TO CENTRAL BANK OVERDRAFT THROUGHOUT WORLD, MIGHT BE RESULT OF USG "ECONOMIC EMBARGO", PARALLELING MILITARY EMBARGO ALREADY IN EFFECT. GOVERNOR SAID THAT CENTRAL BANK PAYMENTS CRISIS BEFORE JUNE 5 GENERAL ELECTIONS COULD BE ATTRIBUTED BY PRIME MINISTER DEMIREL'S JUSTICE PARTY TO US. HINTING AT USEFULNESS OF FINANCIAL ASSISTANCE TO REMOVE DOUBTS ABOUT US POLICIES, SADIKLAR ACKNOWLEDGED THAT CENTRAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ANKARA 03385 01 OF 02 041048Z

BANK IS IN DEEP DIFFICULTY BETWEEN NOW AND TIME WHEN NEW GOVERNMENT IS FORMED, CAPABLE OF TAKING ECONOMIC MEASURES NECESSARY TO BRING IN IMF AND OTHER CREDITS. END SUMMARY.

1. ON MAY 3 E/C COUNSELOR MET, AT HER REQUEST, WITH CENTRAL BANK GOVERNOR TAYYAR SADIKLAR TO REVIEW TURKISH FOREIGN EXCHANGE SITUATION AFTER RETURN OF TURKISH DELEGATION FROM WASHINGTON AND

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

IMF INTERIM COMMITTEE MEETING. PRESENT AT MEETING WAS ISMAIL SENGUN, DEPUTY CHIEF ADVISER IN BANK'S ECONOMIC RESEARCH DEPARTMENT. GOVERNOR SADIKLAR SAID THAT GROUP, HEADED BY FINANCE MINISTER YILMAZ ERGENEKON, HAD COME BACK "GREATLY DISAPPOINTED". BUT, WHAT HE WOULD NOW SAY SHOULD BE UNDERSTOOD AS HIS OWN VIEWS AND NOT THOSE OF TURKISH GOVERNMENT; HE DID NOT WISH TO SPEAK FOR FINANCE MINISTER OR PRIME MINISTER.

2. "TURKEY IS IN A VERY DIFFICULT POSITION, LET ME ADMIT", SADIKLAR SAID. EXPORTS WERE FAR LOWER THAN ANTICIPATED IN FIRST QUARTER. ADDED TO THAT SITUATION, ATTITUDE OF TWO BIG AMERICAN BANKS IS MAKING IT HARD FOR TURKEY. THE TWO, WHICH HAD PROMISED TO SUPPORT NEW TURKISH CONVERTIBLE LIRA DEPOSIT (CLD) PROGRAM, AIMED AT MOVING STRUCTURE OF CLD'S FROM SHORT TO MEDIUM TERM, HAVE NOT DONE SO. FURTHER, THEY HAVE JUST WITH-DRAWN $200 MILLION IN BANKERS' FACILITIES WHICH THEY HAD MADE AVAILABLE FOR PAST THREE MONTHS. THIS SUM IS AMOUNT OF CENTRAL BANK OVERDRAFT THROUGHOUT WORLD. FOR LACK OF THIS CREDIT, MANY FOREIGN BANKS ARE NOT ACCEPTING CENTRAL BANK'S AUTHORIZATIONS TO PAY.

3. TIMING, SADIKLAR SAID, WAS CRITICAL ELEMENT IN PROBLEM. BANK HAS TO GET $200 MILLION BEFORE ELECTIONS TO RESTORE CONFI-DENCE AND PREVENT CALL-IN OF CLD'S UPON MATURITY. ONLY ABOUT $50 MILLION IN CLD'S ARE COMING DUE BEFORE JUNE 5, BUT IF BANKS STARTED TO WITHDRAW THESE, PROCESS COULD BE HARD TO REVERSE. WITHOUT SUBSTANTIAL CLD'S TURKEY WOULD BE IN TOUGH PLIGHT.

4. SADIKLAR SAID THAT SITUATION WAS DIFFICULT BUT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ANKARA 03385 01 OF 02 041048Z

TURKEY COULD OVERCOME IT IF THE COUNTRY COULD SELL ABROAD SOME OF ITS AGRICULTURAL STOCKS WORTH A POTENTIAL $800 MILLION (2.5 MILLION TONS OF WHEAT, $200 MILLION-WORTH OF TOBACCO, AND $300-400 MILLION EACH IN COTTON YARN AND OLIVE OIL --EXAG-GERATED DOLLAR FIGURES IN EMBASSY'S OPINION.) GOVERNMENT HAS ALMOST COMPLETED THESE DAYS SALE OF 500,000 TONS OF WHEAT TO NON-US BUYER AT $90 A TON AND HAS AGREED TO SALE OF 15,000TONS OF TOBACCO. PRICES BEING RECEIVED ARE NOT GOOD; TURKEY IS NOT IN ADVANTAGEOUS BARGAINING POSITION. GOVERNOR SAID THAT HE INTENDED TO INFORM THE TWO AMERICAN BANKS WHAT SALES, FORCED BY THEIR ACTION, HAD COST TURKEY IN EXPORT EARNINGS.

5. GOVERNOR SAID THAT HE TRIES TO THINK THAT TURNABOUT OF US BANKS HAS NOTHING TO DO WITH POLITICS. BUT HE SOMETIMES FEELS THAT USG, WHICH IMPOSED MILITARY EMBARGO ON TURKEY, IS NOW ALSO IMPOSING "ECONOMIC EMBARGO". RECALLING THAT HE HAD BEEN A STUDENT IN US AND HAD ALWAYS BEEN PRO-AMERICAN, GOVERNOR SAID THAT HE HOPES HE IS WRONG. BUT HE JUST DOES NOT KNOW. SEVERAL OBSERVATIONS SUPPORT THIS VIEW. FIRST, AMERICAN BANKERS WITH WHOM HE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

AND FINANCE MINISTER TALKED ALL USED SIMILAR WORDING, AS THOUGH
THEY WERE BEING ORCHESTRATED. THEY KNOW WELL THE ECONOMIC
POTENTIAL OF TURKEY AND IMPOSSIBILITY OF GOVERNMENT TAKING EFFECTIVE
ACTION IN MONTH BEFORE ELECTION. WHY ARE THEY MOVING NOW WHEN
IT WILL BE EASY FOR TURKEY TO IMPROVE ITS SITUATION AFTER ELECTION?
BOTH BANKS (HE DECLINED TO NAME THEM IN EVENT HIS SUSPICIONS WERE
UNFOUNDED) HAVE KNOWN THAT TURKEY HAS PAYMENTS DELAYS AND THEY
HAD ACCEPTED THIS FACT, SADIKLAR SAID. FACT THAT FINANCE MINISTER
ERGENEKON COULD NOT GET APPOINTMENT TO MEET WITH TREASURY SECRE-
TARY BLUMENTHAL IS ANOTHER CIRCUMSTANCE THAT FITS THE PATTER.
(REF A). (GOVERNOR ADMITTED THAT GOT HAD REQUESTED APPOINTMENT
ONLY ONE DAY BEFORE MINISTER LEFT FOR WASHINGTON.)

6. SADIKLAR WAS PERSONALLY DISAPPOINTED AT WHAT THE TWO BANKS WERE
TRYING TO SAY TO TURKEY. THEY HAVE HAD MILLIONS OF DOLLARS
IN BUSINESS FROM CENTRAL BANK AND HAVE MADE MUCH
MONEY FROM TURKEY. FURTHER, THE TWO AMERICAN BANKS ARE GIVING
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ANKARA 03385 01 OF 02 041048Z

AN UNHELPFUL SIGNAL TO FOREIGN BANKS. AFTER ELECTION, GOVERNOR SAID,
HE WOULD REVIEW HIS POSITION WITH THE BANKS AND DIVERT TURKEY'S

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 ANKARA 03385 02 OF 02 041055Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 DODE-00 PM-04 H-01 L-03 PA-01
PRS-01 AGRE-00 /091 W
----------041101Z 124403 /15
P R 040938Z MAY 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC PRIORITY 7382
INFO AMCONSUL ADANA
AMEMBASSY ATHENS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

C O N F I D E N T I A L SECTION 2 OF 2 ANKARA 3385

RESOURCES TO BANKS THAT HAD STOOD BY IT: WHEN TURKS FEEL THEY HAVE BEEN CHEATED, THEY REACT VERY STRONGLY.

7. SADIKLAR SAID THAT HE DID NOT CONFIDE ALL HIS IMPRESSIONS TO PRIME MINISTER AND FINANCE MINISTER FOR FEAR THEY WOULD BE "SOURED". HE HAS TRIED TO DIRECT THEIR SENTIMENTS TOWARD US, NOT AWAY FROM IT. BUT HE WAS DEEPLY CONCERNED THAT IF ACTIONS OF THESE TWO BANKS SHOULD CONTRIBUTE TO CENTRAL BANK CRISIS BEFORE ELECTION, RESULT MIGHT BE HARMFUL FOR US-TURKISH RELATIONS. US, HE ADDED, MIGHT EVEN BE BLAMED BY PRIME MINISTER DEMIREL'S JUSTICE PARTY FOR CRISIS. GOVERNOR REPEATED SEVERAL TIMES THAT HE THOUGHT SITUATION WAS "EXTREMELY DANGEROUS". WHEN TURKS ARE HURT, THEIR GOOD FEELINGS ARE NOT EASILY RESTORED, HE OPINED. NO MERE VERBAL ASSURANCE FROM US WOULD BE ENOUGH TO CONVINCE THEM OF US GOOD INTENTIONS. SOME FINANCIAL HELP --- HE SUGGESTED, WITHOUT FINISHING SENTENCE.

8. E/C COUNSELOR REPLIED CATEGORICALLY THAT SADIKLAR'S NOTING CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ANKARA 03385 02 OF 02 041055Z

OF USG ECONOMIC EMBARGO OF TURKEY WAS UNFOUNDED. PRESIDENT CARTER HAS JUST ANNOUNCED HIS ENDORSEMENT OF DEFENSE COOPERATION AGREEMENT AND HIS INTENTION TO SEEK FROM CONGRESS $175 MILLION IN FMS CREDITS FOR FY 1978 FOR TURKEY. INDEED, TURKISH PRESS HAD REPORTED THAT THESE STEPS HAD INCREASED CONFIDENCE IN TURKEY WITHIN BANKING COMMUNITY. IT WAS CERTAINLY NOT IN US INTERESTS TO CONTRIBUTE TO A WEAKENING OF THE TURKISH ECONOMY. EXPORT-IMPORT BANK, AN AGENCY OF THE USG, HAS BEEN ESPEC-IALLY ACTIVE IN TURKEY THIS YEAR TO DATE. IF BANKS TALKED ALIKE, THEY PROBABLY TALKED TOGETHER ABOUT TURKEY'S PAYMENTS PROBLEMS, WELL KNOWN IN FINANCIAL CIRCLES.

9. ASKED ABOUT POSSIBILITY OF GOLD SALES AND IMMEDIATE IMF ASSISTANCE, GOVERNOR SAID THAT SALE OF GOLD RESERVES (WORTH OVER $500 MILLION AT MARKET PRICES) WOULD BE POLITICALLY DIFFICULT AT ANY TIME AND ESPECIALLY DIFFICULT BEFORE ELECTION. IN MIDDLE EAST GODL IS HIGHLY PRIZED STORE OF VALUE. GOVERNMENT'S SALE OF GOLD WOULD BE REGARDED BY TURKS AS PARTING WITH NATIONAL WEALTH. TURKEY HAS, HOWEVER, ENTERED UPON AN ACTIVE DIALOGUE WITH IMF. AFTER ELECTIONS, TURKEY PLANS TO USE ALL IMF FACILTIES AVAILABLE TO IT, INCLUDING NEW WITTEVEEN FACILITY. FIRST AND SECOND TRANCHES TAKEN TOGETHER WILL YIELD TURKEY $100 MILLION. GOVERNOR BELIEVED THAT THESE DRAWINGS MIGHT ATTRACT ANOTHER $400 MILLION FROM COMMERCIAL BANKS.

10. COMMENT. EMBASSY IS CONCERNED THAT THERE WILL BE EFFORT HERE, UNDER PRESSURE OF ELECTIONS, TO TRANSFER BLAME FOR TURKISH FINANCIAL MISFORTUNES TO US. EMBASSY HAS PROVIDED GOVERNOR WITH

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

LIST OF PRELIMINARY COMMITTMENTS BY EXIMBANK FOR LOANS AND GUARANTEES, TOTALLING OVER $75 MILLION, SINCE JANUARY 1, 1977, TO DISPEL NOTION OF USG ECONOMIC FREEZE. AMBASSADOR WILL ALSO ATTEMPT TO GET IN TOUCH WITH SADIKLAR TO DISABUSE HIM FURTHER OF THIS NOTION.
MACOMBER

CONFIDENTIAL

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PERSONAL OPINION, CENTRAL BANK, LOANS, CREDIT PROGRAMS, BANKS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ANKARA03385
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770156-0332
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770597/aaaadfzw.tel
Line Count: 229
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:02 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:06 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: abc0309b-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 ANKARA 3329, 77 ANKARA 3188, 77 ANKARA 1643
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2650431
Secure: OPEN
Status: NATIVE
Subject: CENTRAL BANK GOVERNOR WONDERS IF USG IS DISCOURAGING COMMERCIAL BANK LENDING TO TURKEY
TAGS: EFIN, EAGR, PFOR, TU, US, (SADIKLAR)
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/abc0309b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009